

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 4
(MC2014-38)
Negotiated Service Agreement

Docket No. CP2014-67

PUBLIC REPRESENTATIVE COMMENTS
ON POSTAL SERVICE NOTICE OF FILING OF MODIFICATION TO
GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS 4
NEGOTIATED SERVICE AGREEMENT

(October 16, 2014)

The Public Representative hereby provides comments pursuant to Order No. 2213.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing of a Modification to a Global Reseller Expedited Package (GREP) Contracts 4 negotiated service agreement (Notice).²

In Order No. 2170, the Commission included the original agreement that is the subject this docket within the Global Reseller Expedited Package Contracts 4 product.³ The Postal Service's Notice seeks to include the Modification to Agreement to the GREP Contracts 4 product. Notice at 1.

Included as an attachment to the Notice is a redacted version of the Modification, that is the subject of this docket; a certified statement required by 39 C.F.R. §3015.5(c)(2); a redacted version of Governors' Decision No. 11-6; and the Postal

¹ PRC Order No. 2213, Notice and Order Concerning Modification to Global Reseller Expedited Package Contracts 4 Negotiated Service Agreement, October 14, 2014.

² Notice of United States Postal Service of Filing Modification to Global Reseller Expedited Package 4 Negotiated Service Agreement, October 8, 2014 (Notice).

³ PRC Order No. 2170, Order Adding Global Reseller Expedited Package Contracts 4 to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket Nos. MC2014-38 and CP2014-67, August 25, 2014.

Service's Application for Non-Public Treatment of materials filed under seal in this docket. The Notice also includes supporting financial workpapers underlying the Modification.

Prices and classifications not of general applicability for GREP agreements were previously established by Governors' Decision No. 10-1, issued March 24, 2010.⁴ In Order No. 445, Commission approved the addition of the Global Reseller Expedited Package Contracts 1 product (MC2010-21) to the competitive product list, and included a GREP Contracts 1 agreement (CP2010-36) within the product.⁵ The Commission subsequently added a number of GREP Contracts 1 agreements to the product.⁶ In Order No. 1746, Commission approved the addition of the Global Reseller Expedited Package Contracts 2 product (MC2013-51) to the competitive product list, and the inclusion of a GREP Contracts 2 agreement (CP2013-64) within the product.⁷ In Order No. 1870, the Commission approved the addition of the Global Reseller Expedited Package Contracts 3 product (MC2013-64) to the competitive product list, and included

⁴ The Postal Service's Request cites Governors' Decision No. 10-1 for the authority to establish prices and classifications for GREP agreements. Request at 2-3, *citing* Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, Docket Nos. MC2010-21 and CP2010-36, March 29, 2010, Attachment 2.

⁵ PRC Order No. 445, Order Concerning Global Reseller Expedited Package Contracts Negotiated Service Agreement, Docket Nos. MC2010-21 and CP2010-36, April 22, 2010.

⁶ PRC Order No. 561, Order Approving an Additional Global Reseller Expedited Package Contract Negotiated Service Agreement, Docket No. CP2011-1, October 15, 2010; PRC Order No. 648, Order Approving an Additional Global Reseller Expedited Package Contract Negotiated Service Agreement, Docket No. CP2011-55, January 13, 2011; PRC Order No. 755, Order Approving Global Reseller Expedited Package Contract Negotiated Service Agreement, Docket No. CP2011-65, June 30, 2011; PRC Order No. 811, Order Approving an Additional Global Reseller Expedited Package Contracts 1 Negotiated Service Agreement, Docket No. CP2011-67, August 18, 2011; PRC Order No. 1177, Order Approving Additional Global Reseller Expedited Package Contract 1 Negotiated Service Agreement, Docket No. CP2012-14, January 27, 2012; PRC Order No. 1337, Order Approving an Additional Global Reseller Expedited Package Contract Negotiated Service Agreement, Docket No. CP2012-21, May 9, 2012; PRC Order No. 1571, Order Approving an Additional Global Reseller Expedited Package Contracts 1 Negotiated Service Agreement, Docket No. CP2013-20, December 10, 2012; PRC Order No. 1669, Order Approving and Additional Global Reseller Expedited Package Contracts 1 Negotiated Service Agreement, Docket No. CP2013-49, February 26, 2013; and, PRC Order No. 2004, Order Approving an Additional Global Reseller Expedited Package Contracts 1 Negotiated Service Agreement, Docket No. CP2014-29, February 28, 2014.

⁷ PRC Order No. 1746, Order Adding Global Reseller Expedited Package Contracts 2 to the Competitive Product List Negotiated Service Agreement, Docket Nos. MC2013-51 and CP2013-64, June 13, 2013.

a GREP Contracts 3 agreement (CP2013-84) within the product.⁸ More recently, the Commission approved Order No. 2170, which added the Global Reseller Expedited Package Contracts 4 product (MC2014-38) to the competitive product list, and included the GREP Contracts 4 agreement (CP2014-67) within the product.⁹ That GREP Contracts 4 agreement serves as the “baseline” agreement for functional equivalency analysis with respect to subsequent GREP Contract 4 agreements. *Id.*, at 6.

Agreements included within the GREP Contracts 4 product offer discounted prices for Priority Mail Express International (PMEI), Priority Mail International (PMI), Outbound Single-Piece First-Class Package International Service (FCPIS), Global Express Guaranteed (GXG), and Priority Mail Regional Rate Boxes (PMI RRB) to U.S.-based consolidators, freight forwarders and large shipping companies. These companies in turn serve as resellers that market shipping services at discounted prices to their customers, especially small and medium-sized businesses. To qualify for a GREP agreement, a reseller must be capable of tendering at least 5,000 pieces of international mail, or paying at least \$100,000 in international postage, to the Postal Service.

The Modification that is the subject of this docket is intended to amend the reseller’s current GREP Contracts 4 agreement, which was filed in Docket No. CP2014-67. The Modification replaces Annexes 1 and 2 of the original agreement. The Postal Service indicates that the rates contained in the Modification will become effective November 1, 2014. Notice at 1.

COMMENTS

The Public Representative has reviewed the Postal Service’s Notice, the GREP Contracts 4 Agreement and Modification as well as the financial workpapers included

⁸ PRC Order No. 1870, Order Adding Global Reseller Expedited Package Contracts 3 to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket Nos. MC2013-64 and CP2013-84, November 7, 2013.

⁹ PRC Order No. 2170, Order Adding Global Reseller Expedited Package Contracts 4 to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket Nos. MC2014-38 and CP2014-67, August 25, 2014.

with the Notice. Based upon that review, the Public Representative concludes that the Agreement continues to be functionally equivalent to the baseline agreement. In addition, it appears the negotiated prices of the contract Modification should generate sufficient revenues to cover costs and satisfy the requirements of 39 U.S.C. § 3633.

Requirements of 39 U.S.C. § 3633. 39 U.S.C. § 3633 requires that competitive product prices cover each product's attributable costs, not result in the subsidization of competitive products by market dominant products, and enable competitive products as a whole to contribute an appropriate share to the institutional costs of the Postal Service. In addition, the Commission requires that each contract included within a GREP product cover its attributable costs.¹⁰

In this proceeding, the Postal Service's financial workpapers indicate the negotiated prices as modified by the proposed Modification should continue to generate sufficient revenues to cover its attributable costs. Consequently, the Public Representative finds that the original Agreement as modified, when added to the GREP Contracts 4 product, should result in product revenues covering costs, thereby satisfying 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Moreover, the GREP Contracts 4 product should improve the likelihood that competitive products as a whole contribute an appropriate share to the Postal Service's institutional costs, consistent with 39 U.S.C. § 3633(a)(3).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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Public Representative

¹⁰ Mail Classification Schedule, Section 2510.7.1.d., Global Reseller Expedited Package Contracts, posted January 27, 2014, with updates through July 31, 2014.

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